

Framework for Short Selling – January 5, 2024

The Securities & Exchange Board of India (SEBI), by way of its circular titled 'Framework for Short Selling' dated January 5, 2024 (Circular), has laid down a definitive framework to better regulate short-selling transactions in the Indian stock market. It puts a ban on naked short selling in the Indian securities market, except the stocks that trade in the futures and options (F&O) segment.

According to the Circular, all investors would be required to mandatorily honor their obligation to deliver the securities at the time of settlement. Moreover, institutional investors will not be allowed to do day trading, i.e., square off their transactions intraday. All transactions would be grossed for institutional investors at the custodians' level, and the institutions would be required to fulfill their obligations on a gross basis. Further, the stockbrokers will be mandated to collect the details of scrip-wise short-sell positions, collate the data, and upload it to the stock exchanges before the commencement of trading on the following trading day. The stock exchanges will then consolidate such information and disseminate the same on their websites for the information of the public on a weekly basis. It also requires the stock exchange to frame necessary uniform deterrent provisions and take appropriate action against the brokers for failure to deliver securities at the time of settlement. To access the circular, [click here](#).

Foreign Investment in Alternative Investment Funds – January 11, 2024

The SEBI issued a circular on foreign investment in Alternative Investment Funds (AIFs) to incorporate, in its Master Circular for AIFs dated July 31, 2023, the amended thresholds for the determination of beneficial ownership.

Last year, the Ministry of Finance had revised the thresholds provided under Rule 9(3) of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. The threshold was brought down from 25% to 10% of the company's shares, capital, or profits. For partnership firms, it was reduced from 15% to 10% of the capital or profits of the partnership and in the case of trusts, the threshold was lowered from 15% to 10% interest in the trust.

Further, it is pertinent to mention that the circular provides that if investors who have already been onboarded do not fulfil these criteria, the manager of the AIF cannot drawdown further capital contribution from such investors for making any investment till the criteria is met. To access the circular, [click here](#).

Guidelines for Alternative Investment Funds on Holding Investments in Dematerialized Form and Appointment of Custodian – January 12, 2024

The SEBI has amended the Alternative Investment Funds Regulations, 2012 (AIF Regulations) and notified Guidelines for AIFs with respect to AIFs holding their investments in dematerialized form and appointment of custodian, on January 05, 2024 (Guidelines). Accordingly, all investments by AIFs must be held in dematerialized form with effect from October 1, 2024, regardless of whether the investment is made directly in the investee company or acquired from another entity. The investments made by an AIF prior to October 1, 2024, are exempted from the requirement of being held in dematerialized form, except in certain instances.

Moreover, the Guidelines require the schemes of AIFs to appoint a custodian prior to the first date of investment of the scheme. It further specifies reporting of investments of AIFs under custody, implementation standards for which will be developed by the Standard Setting Forum for AIFs in consultation with SEBI. To access the circular, [click here](#).

Framework for Offer for Sale of Shares to Employees through Stock Exchange Mechanism – January 23, 2024

SEBI has introduced a framework for Offer for Sale of shares (OFS Framework) to employees through stock exchange mechanism. The existing procedure of OFS to employees of the eligible company is happening outside the stock exchange mechanism. This is in continuation of the Master Circular dated October 16, 2023, where the mechanism for OFS Transaction has been provided.

As per the procedure, the OFS to employees must be on T+1 day along with the retail category under a new category called 'Employee', for whom a certain number of shares must be reserved. As per the OFS Framework, bidding must be allowed during trading hours on T+1 day only and the employees can place bids only at the cut-off price of T+1 day. Likewise, the floor price of the retail category must be disclosed to the participants under the 'Employee' category. The employees shall be allotted shares at price based on cut-off of the retail category, subject to discount, if any. To access the circular, [click here](#).

Streamlining of Regulatory Reporting by Designated Depository Participants and Custodians – January 25, 2024

The SEBI issued a circular to all Designated Depository Participants and custodians to streamline compliance standards and ease of reporting. It has standardized compliances, reporting formats, and reporting schedule. Furthermore, the circular mandates that the reporting to be submitted on SEBI Intermediary Portal. To access the circular, [click here](#).

Draft Framework for Recognising Self-Regulatory Organisations for FinTech Sector – January 15, 2024

The Reserve Bank of India has issued a 'Draft Omnibus Framework for recognizing Self-Regulatory Organizations (SRO) for FinTech Sector' (Draft Framework). It seeks to provide for one-third of members on the SRO board, including the chairperson, to be independent and without active association with a fintech entity. The SRO will be tasked with facilitating communication between the industry and regulators, advocating for necessary changes, and ensuring compliance. Moreover, the SRO will collect, analyse and disseminate data pertaining to members' activities. It is proposed to act as the primary repository of information. The proposed norms seek to confer upon SROs the power to investigate and take disciplinary action against its members for non-compliance with laws, codes, standards, or rules. It should be able to deploy suitable surveillance mechanisms for effective monitoring and assessment. The draft framework has designated SRO as a legitimate arbiter of disputes. It will require a transparent grievance redressal mechanism and fair dispute resolution measures to be put in place. To access the notification, [click here](#).

Direct Listing of Equity Shares of Companies Incorporated in India on International Exchanges Scheme – January 24, 2024

The Ministry of Finance amended the FEMA Non-Debt Rules 2019 by introducing Chapter X on 'Investment by Permissible Holder in equity shares of public companies incorporated in India and listed on international exchanges' and Schedule XI – direct listing of equity shares of companies incorporated in India on international exchanges scheme (FEMA Direct Listing Scheme), vide the FEMA (Non-debt Instruments) Amendment Rules, 2024 which permits Indian public companies to list their equity shares on international exchanges in IFSC Gift City, in India. It prescribes the framework for issuance and listing on international exchanges and conditions for investments from a foreign exchange perspective. Further, it outlines the obligations of public Indian companies regarding compliance, voting rights and pricing of equity shares. To access the press release, [click here](#).

Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024 – January 24, 2024

MCA has notified the Companies (Listing of equity shares in permissible jurisdictions) Rules 2024 (Rules), which lays down provisions for applicability, eligibility of Indian public companies and the requirement for overseas listing of equity shares. The Rules apply to unlisted and listed public companies seeking to issue equity shares in permissible jurisdictions. It lays down the listing procedures, particulars of prospects filing, and financial standards compliance. The Rules further provide that certain companies are ineligible for listing, including those registered under section 8 or declared as Nidhi, companies limited by guarantee with share capital, those with outstanding public deposits, and companies with negative net worth, having partly paid shares, or a history of defaulting on payments to creditors. To access the notification, [click here](#).

FIRM NEWS

- DMD Advocates has advised the shareholders of Mullackal Polymers Private Limited, in connection with the sale of their shares in the company to IPACKCHEM Group SAS. [Read More](#)
- Our Partner, Vivek Agarwal, wrote for LiveMint about the key findings of the Competition Commission Of India's market study report on competition dynamics in the mining sector. [Read More](#)
- Our partner, Vivek Agarwal, was quoted by the Global Competition Review (GCR) in its report on the recent Madras High Court judgment disposing the complaints of various Indian startups against Google's new billing policy. [Read More](#)
- DMD Advocates advised Biesterfeld Group from Germany in connection with the formation of its joint venture, Biesterfeld Hildose Speciality Chemicals Pvt. Ltd., with the promoters of Hildose Pharma Specialities. [Read More](#)



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